

Loan Closing

The Loan Closing is the process by which loan documents and/or other legal documents are executed by the Owner (Mortgagor/Borrower), Contractor, Minnesota Housing Finance Agency (Minnesota Housing), and possibly other Lenders. The Loan Closing occurs before any loan proceeds are disbursed and typically before any work is started. It is based upon approval of loan documents, legal documents, 100% Contract Documents, and award of construction contract to successful Contractor (Single Prime General Contractor).

At the time of the Loan Closing, Minnesota Housing secures a favorable opinion of counsel for the Borrower as to the requirements of the Minnesota Housing Loan Commitment and Building Loan Agreement, and, upon recording of the loan documents, the Title Insurance Policy insuring Minnesota Housing's interest as Mortgagee. In addition, all development financing must be in place prior to or concurrent with the Loan Closing.

If loan disbursement is needed during the construction phase (Construction Loan), the General Partner(s) (Owner), Owner's Attorney, General Contractor, Architect, Surety Representative, Title Insurance Representative, and Processing Agent (if applicable) must attend the Loan Closing.

If loan disbursement is not needed until after construction is completed (End Loan), the Loan Closing typically occurs after all site improvements are completed and the Contractor is normally not required to attend.

If Minnesota Housing is Lead Lender, Loan Closing will normally take place at Minnesota Housing. Following Loan Closing, funds are disbursed in accordance with Building Loan Agreement and Master Disbursement Agreement executed at Loan Closing.

Purpose: The Loan Closing typically places funding needed for construction and/or rehabilitation in effect so draw disbursements can be made during the Construction Phase or after construction is completed.

Contractors Role: The Contractor's role leading up to and at Loan Closing will vary depending if Construction Loan or End Loan.

The Contractor's role leading up to Loan Closing typically is as follows:

1. If "Construction Loan":
 - Furnishing to Minnesota Housing for review and approval the following items:
 - a. Executed copy of approved AIA Owner-Contractor agreement;

- b. Issued copy of final building permit(s) along with paid receipt; and
 - c. Contractor's 1st application for payment (AIA Document G702 and G703), along with any necessary invoices for backup purposes. (Architect must certify Contractor's application for payment.)
2. If "End Loan":
- Completing site improvements according to contract documents approved by Minnesota Housing;
 - Scheduling and conducting a site inspection/walk through with Minnesota Housing Staff Architect assigned to development, if requested by Minnesota Housing;
 - Obtaining and forwarding to Minnesota Housing a copy of Certificate(s) of Substantial Completion, Certificate(s) of Occupancy, and any other documents/information as determined necessary by Minnesota Housing prior to Loan Closing;
 - Identifying any remaining site improvements yet to be completed (punch list) including any alleged nonconforming items. (Minnesota Housing will typically require 1.5 times the estimated value for such items to be withheld, at time of Loan Closing from the Contractor, until all items are completed and verified.) Minnesota Housing reserves the right to require all punch list and/or alleged nonconforming items to be completed and/or corrected prior to Loan Closing; and
 - Submitting to Minnesota Housing for review and approval Sworn Construction Statement – End Loan (Minnesota Housing Form).

The Contractor's role at Loan Closing typically is as follows:

1. If "Construction Loan":
 - Attending Loan Closing;
 - Executing Minnesota Housing Assignment of Construction Contract, Minnesota Housing Supplement to General Conditions of the Agreement Between Owner and Contractor, and Minnesota Housing form of payment and performance bonds; and
 - Initialing the final Contract Documents including plans and specifications, as requested by Minnesota Housing; and
 - Participating in pre-construction conference (typically held at time of Loan Closing) to discuss draw schedule and procedures.
2. If "End Loan", Contractor participation is normally not required.